

REPORT OF THE EXECUTIVE OFFICER
State Allocation Board Meeting, March 28, 2007

LABOR COMPLIANCE PROGRAM GRANTS

PURPOSE OF REPORT

To provide an update to the March 2006 report regarding the adequacy of Labor Compliance Program (LCP) apportionments.

BACKGROUND

At the July 2003 State Allocation Board (SAB) meeting, the Board approved regulations that provided a per-pupil grant increase to accommodate the State's share of increased costs of a new construction or modernization project for the initiation and enforcement of a LCP.

At the March 2006 SAB meeting, Staff presented a report to the SAB concerning LCP grant adequacy, which represented a small sample size of projects due to the vast majority of projects not yet due for audit. The sample size was inadequate to make an accurate determination of grant adequacy; therefore, Staff did not recommend any adjustments at that time.

This report provides an update to the March 2006 report on LCP grant adequacy.

AUTHORITY

Labor Code (LC) Section 1771.7 states in part that the SAB shall increase per-pupil grant amounts to accommodate the State's share of the costs of initiating and enforcing a LCP. The law provides that a School Facility Program project is eligible for an increase in the per-pupil grant amount if both of the following conditions are met:

- The project was or will be funded from the proceeds of Propositions 47 or 55.
- The Notice to Proceed for the initial contract for construction of the project was issued on or after April 1, 2003.

LC Section 1771.7 also provided for an exception to the full and final apportionment provisions in the law to accommodate LCP costs on projects that have already received their full apportionment amount without the LCP funding but were eligible for the funding.

DESCRIPTION

As of the January 2007 SAB meeting, the SAB has provided LCP funding for 3,342 projects. Since the March 2006 report, the sample size has increased from 61 projects to 245 projects, which is 7.3 percent of all projects that have received LCP funding. The sample size continues to be limited as the vast majority of the LCP-funded projects are not due for audit; thus, the cost data is unavailable. The LCP expenditures reported by the districts are compared to the total LCP grant (includes the State, financial hardship and district share). The LCP data as of February 2007 indicates the following for new construction and modernization projects:

New Construction – Sample Size of 51 Projects

LCP expenditures compared to the total amount of the LCP grant (includes the State, financial hardship, and district share – see Attachments A and C).

- 44 projects (86 percent of the projects) spent less than the total LCP grant; the average underspent amount is \$17,684 per project.

(Continued on Page Two)

DESCRIPTION (cont.)

- 7 projects (14 percent of the projects) spent more than the total LCP grant; the average overspent amount is \$19,765 per project.
- Overall, the average LCP grant for 51 projects (includes the State, financial hardship, and district share) was \$30,598. Of this amount, the average expenditure was \$18,054, which resulted in \$12,544 excess funding per project. This means that these projects underspent by 40.9 percent on average.

Modernization – Sample Size of 194 Projects

LCP expenditures compared to the total amount of the LCP grant (includes the State, financial hardship, and district share – see Attachments B and C).

- 179 projects (92 percent of the projects) spent less than the total LCP grant; the average underspent amount is \$17,425 per project.
- 12 projects (6 percent of the projects) spent more than the total LCP grant; the average overspent amount is \$13,485 per project.
- 3 projects (2 percent of the projects) spent the same amount as the total LCP grant.
- Overall, the average total LCP grant for 194 projects (includes the State, financial hardship, and district share) was \$23,914. Of this amount, the average expenditure was \$8,671, which resulted in an average of \$15,243 in excess funding per project. This means that these projects underspent by 63.7 percent on average.

STAFF COMMENTS

Current data indicates that the majority of the projects in for closeout audit are not utilizing the full LCP grant allowance. Of our sample size of 245 projects currently in for closeout (51 new construction and 194 modernization projects), 190 projects have spent less than the State's portion of the LCP grant thereby not requiring the district to utilize the districts' share of the LCP grant.

Although the quantity of project data is relatively limited, the trends and patterns appear to support the conclusion that the full LCP grant is in excess of the districts' actual costs.

RECOMMENDATION

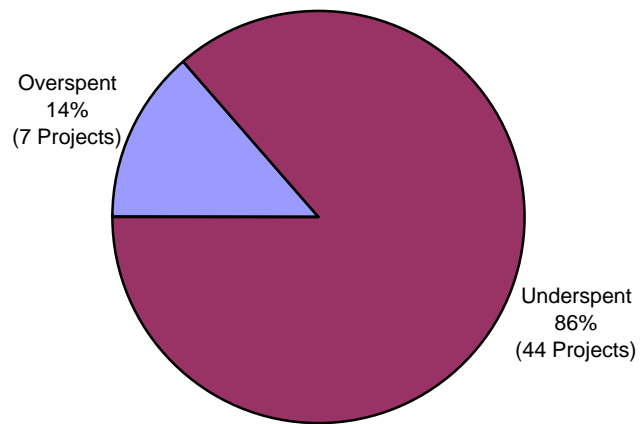
Accept this report.

BOARD ACTION

In considering this Item, the Board accepted the report. In addition, staff was requested to bring back regulatory recommendations that will adjust the Labor Compliance Program grant.

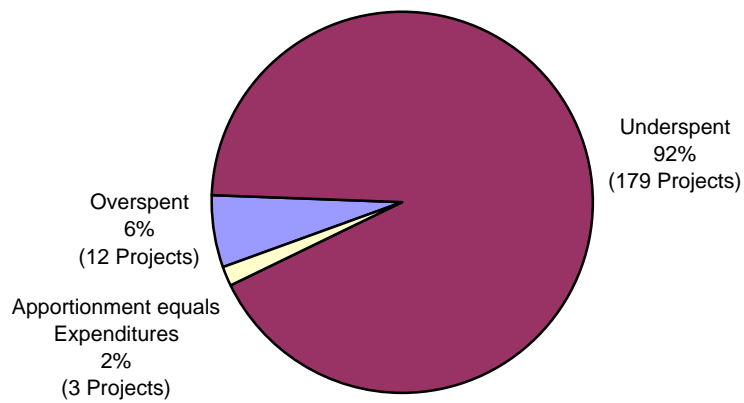
| NEW CONSTRUCTION | TOTAL |
|-----------------------------------|-------|
| Overspent | 7 |
| Underspent | 44 |
| Apportionment equals Expenditures | 0 |

**ATTACHMENT A
LCP STATE GRANT, FINANCIAL HARDSHIP, AND
DISTRICT SHARE vs. LCP EXPENDITURES
(NEW CONSTRUCTION)
SAMPLE SIZE 51 PROJECTS**



| MODERNIZATION | TOTAL |
|-----------------------------------|-------|
| Number Overspent | 12 |
| Number Underspent | 179 |
| Apportionment equals Expenditures | 3 |

**ATTACHMENT B
LCP STATE GRANT, FINANCIAL HARDSHIP, AND
DISTRICT SHARE vs. LCP EXPENDITURES
(MODERNIZATION)
SAMPLE SIZE 194 PROJECTS**



| | |
|-----------------|-------------|
| AMOUNT OF GRANT | \$30,598.08 |
| AMOUNT SPENT | \$18,054.19 |

AMOUNT OF GRANT
AMOUNT SPENT

\$23,914.26
\$8,671.10

